



March 16, 2021

Cox, Cox, Filo, Camel and Wilson
ATTN: Mrs. Somer Brown and Mr. Michael Cox
723 Broad Street
Lake Charles, LA 70601

RE: Opinion of Value, 620 Esplanade Street, Lake Charles, LA

Mrs. Brown and Mr. Cox,

At your request, I have researched market data regarding professional office leased space in the Southwest Louisiana region in order to measure the missed opportunity for the subject property in the aftermath of Hurricane Laura.

Utilizing the market comparables in Exhibit B, with appropriate adjustments for the subject property, I am of the opinion that a Net Rent of \$13.81 per square foot should be the baseline from a pre-hurricane perspective.

In comparing Exhibits D and E, the differential of the Net Present Value calculations of the leases is a measured loss of \$490,845 in rental income alone.

Exhibit F was produced in September of 2020, as guidance to the owner on how to strategize on leasing up the space, and at what expense. If we were successful on securing a long-term GSA (General Services Administration of the United State Federal Government) tenant for the second floor, similar to the lease proposal being negotiated for the first floor, I estimated that we could sell the stabilized property in about 12 months at a capitalization rate (aka "Cap Rate") of six percent. If a long-term tenant was not the GSA, I estimated that the sale would be at a Cap Rate of six and three quarters percent.

Exhibit G, based on the same format as Exhibit F, compares a long-term lease that could have been generated last year to what we hope we can lease the second floor once it is finally complete, estimated to be in late June 2021. I am of the opinion it is more likely that we will be able to lease the second floor for between a three to five-year lease term. The owners of the Capital One Tower in downtown Lake Charles have stated to local government that they intend to restore the property, thus returning 354,000 sq ft of office property (See Exhibit A, roughly 45% of the total prior to August 28, 2020) to the market in anywhere from two to four years. When that happens, rates are highly likely to come back down. Using this approach, the diminished value to the owner is measured at \$717,599.

In summary, I am of the opinion there are two relevant losses that arose from the inability to deliver leasable space before the end of December 2020. The first is the difference of \$490,845 in rental income as projected for the expectation of leasing the second floor later this year since the owner was not able to have renovations completed and ready for occupancy. In addition to that, there is an ongoing loss of \$14,000 per month, more or less, for each and every month since January 1, 2021 that the GSA has not been able to occupy the first floor. The second measure of loss is calculated in Exhibit G. With shorter term leases, the property becomes worth less than it would have been with longer term leases. The lower the cap rate, the higher the value. Plan A (as shown in Exhibit G) utilizes a cap rate of blended cap rate of 7.79%. That rate is derived by the relative percentage

Exhibit 3

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Lake Charles, Louisiana USA 70601
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(weighted) of long-term GSA lease at 6% and the remainder of a rate of 9.5%. This second measure of loss is calculated at \$717,599 in diminished value. These two measured losses, in my opinion, are not overlapping. The former is the discounted difference of the income streams in today's dollars. The latter is the loss of value to the diminished cap rate.

There is potential for a third loss, even more substantial. In the worst extreme, in the event the owner is not able to complete renovations for GSA on the first floor by May 28, 2021, he runs the risk of losing that tenant's new lease that would commence March 1, 2022 with gross income of \$2,872,000, more or less.

In evaluating the market, I believe that as more time goes by, and more properties are restored, leasing values are more likely to decline as opposed to increase. Within the last 45 days, an investor group has purchased the former VF Factory Outlet and has been successful in offering for lease up to 130,000 square feet of temporary office space at gross rates of \$10 to \$15 per square foot, which has kept rates from inflating as they were in the last four months of 2020.

Please let me know if you have any questions relating to this report.
With regards,

A handwritten signature in blue ink, appearing to read "A. Vanchiere", written over the typed name.

Andrew Vanchiere, CCIM, SIOR
NAI Latter and Blum

These opinions are based upon the information available to me, and are subject to change if other factors are presented for consideration.



Key Definitions

Capitalization Rate or Cap Rate

The capitalization rate (also known as cap rate) is used in the world of commercial real estate to indicate the rate of return that is expected to be generated on a real estate investment property. This measure is computed based on the net income which the property is expected to generate and is calculated by dividing net operating income by property asset value and is expressed as a percentage. It is used to estimate the investor's potential return on their investment in the real estate market.

Example: If the net rental income is \$200,000 per year and an appropriate cap rate is 6%, the value would be \$3,333,333; \$200,000 divided by 6% equals 3.333.

Net Present Value

Net present value (NPV) is the difference between the present value of cash inflows and the present value of cash outflows over a period of time. NPV is used in capital budgeting and investment planning to analyze the profitability of a projected investment or project.

Discount Rate

the discount rate refers to the interest rate used in discounted cash flow (DCF) analysis to determine the present value of future cash flows.

Source: Investopedia.com

Index

Exhibit

- A Professional Office Market inventory for Southwest Louisiana, Pre Hurricane Laura
Criteria, Multi Tenant, Professional Office, 5,000 square feet or higher
Worksheet also delineates storm damage and assessment from October 2020
- B Market Reconciliation of Variables, Lease Assignment for confidential tenant, Pre Hurricane Laura
Reflective of pricing adjustments for multiple factors in this market
Using these same comparables, adjusted for Flood Zone X, Multi Tenant, and longer than 41 months, the indicated Net Rent
for longer than a four year lease would be \$13.81 per square foot per year, plus operating expenses
- C Newmark Grubb Letter of Intent
Submitted in September 2021 to owner for the second floor, subject to occupancy before January 1, 2021
Tenant was BHG, a behavioral health/medical provider
- D BHG Lease Proposal Evaluation
Net present value calculation of the offer received from BHG for a 10 year lease
- E Net Present Value Calculation if DHS/ICE can return to space before June 1, 2021 and 2nd floor gets leased out
sometime mid-summer 2021
- F Outline to Full Recovery, September 22, 2021
Strategy for refinancing, leasing etc. produced less than 30 days after Hurricane Laura
- G Outline to Full Recovery, March 15, 2021
Revised Strategy to suit current market conditions

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Market Reconciliation of Lease Variables

EXHIBIT B

Lease Comparables

Lake Charles, LA

24-Jun-20

Occupancy	Address	Square Footage	Effective Rate per Sq FT	Effective Net Rate	Lease Type	Term, months	Commencement Date	Flood Zone
Single Tenant	3101 Lake Street	9,017	\$ 19.25	\$ 13.83	Full Service Gross	18	1/1/2019	X
Single Tenant	805 Bayou Pines West	4,639	\$ 11.50	\$ 11.50	NNN	72	12/1/2019	AE
Multi-Tenant	807 Bayou Pines West	4,992	\$ 20.47	\$ 15.97	Full Service Gross	60	2/1/2020	AE
Single Tenant	1714 Wolf Circle	3,305	\$ 23.60	\$ 18.83	Modified Gross	12	3/1/2020	X
Multi-Tenant	814 West McNeese St 1st Floor	6,205	\$ 19.69	\$ 13.94	Modified Gross	24	3/1/2019	X
Multi-Tenant	814 West McNeese St 3rd Floor	6,885	\$ 17.67	\$ 11.92	Modified Gross	60	6/17/2013	X

41 AVG

\$ 14.33	AVG Net Rate
\$ 14.63	AVG Net Rate of Flood Zone X
\$ 13.74	AVG Net Rate of Flood Zone AE
\$ 13.94	AVG Net Rate Multi Tenant
\$ 14.72	AVG Net Rate Single Tenant
\$ 13.13	AVG Net Rate for Longer than 41 months
\$ 15.53	AVG Net Rate for Shorter than 41 months

Subject

Single Tenant

4527 SQ FT

Modified Lessor pays insurance, taxes, yard and all repairs, Tenant pays utilities and janitorial

Gross Rent	\$ 21.00 per sq ft	\$ 95,067.00
Lessor Expenses		
Property Taxes	\$ 3,365.20	
Insurance	\$ 5,800.00	
Flood Insurance	\$ 15,402.00	
Yard Upkeep	\$ 1,440.00	
Termite Contract	\$ 1,648.00	
Unreimbursed Maintenance	\$ 4,306.00	
Reserve for HVAC and other Capital Cost/Repairs at \$2 per sq ft	\$ 9,054.00	
Total	\$ 41,015.20	
	\$ 9.06	Per Sq FT OPEX and Reserve
Indicated Net Rent Currently	\$ 11.94	Per Square Foot
Compared to Weighed AVG Net Rate	-16.69%	Relative to Market

Subject compared to Market Variables

Factor	Reliance	36 months
AVG Rate	15%	\$ 2.15
Flood Zone AE	15%	\$ 2.06
Single Tenant	35%	\$ 5.15
Duration	35%	\$ 5.44
Indicated Net Rent		\$ 14.80
OPEX		\$ 9.06
Gross Rent		\$ 23.86

EXHIBIT C

**Newmark Grubb
 Knight Frank**



James Rainer
 Director

March 15, 2021~~September 23, 2020~~September 11, 2020

Andrew Vanchiere
 NAI Latter & Blum

Dear: Andrew

RE: Behavioral Health Group

We have been authorized by our client, an LLC to be formed by BHG Recovery, ("Tenant") to request a proposal to lease space at 620 Esplanade St in Lake Charles, LA ("Property") under the terms and conditions set forth below:

Premises	Approximately <u>6,3007,245</u> sf on the 2 nd floor at 620 Esplanade <u>plus a common area factor of approximately 0.15</u>
Lease Commencement And Delivery Date	Upon Lease Execution
Rent Commencement	<u>120 days after Lease Commencement plus any additional free rent provided by Landlord. At Occupancy 90 days after the later of Lease Commencement or Delivery of space to Tenant.</u>
Right of First Refusal	<u>Tenant request a right of first refusal on any contiguous space</u>
Rental Rate	Please indicate the most aggressive gross rental rate. Tenant understands that it will be responsible for it's own janitorial and all other expenses are included in the rate. <u>\$16 per rentable square foot per year for years 1-5, \$19 per rentable square foot per year for years 6-10. Current NNN charges are estimated at \$6.50 per square foot.</u>
Term	Please provide a ten (10) year proposal.
Renewal	Tenant requests two (2), five (5) year renewal options at <u>90%-of-market rent. 12-510% increases per option period.</u>
Landlord's Work	Landlord shall deliver the Premises in "As-Is" condition (along with any all required remediation from storm damage) and provide the following: HVAC: 1 ton of HVAC per 300 sf of space leased. Landlord to be responsible for maintaining, repairing, and replacing HVAC for the first 12 months if existing units. Plumbing: existing functional water supply line. Electrical: If power supply is 480V – Tenant requires 200 amps with electric heat. If power supply is 120/180V – Tenant requires 200 amps.
Sprinkler System	Please state if sprinkler exists and what capacity. <u>No sprinkler</u>

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Newmark Grubb
 Knight Frank



Tenant Improvement	Tenant shall bear all costs associated with any desired interior improvements and is not requesting ant Tenant Improvement Allowance from Landlord. <u>The space is in process of new carpet, paint, ceiling tiles, etc. In the event a Lease is executed prior to completion of the above LL contributions, Tenant shall have the right to choose paint colors and flooring subject to LL's approval which shall not be unreasonably withheld.</u>
Contingency	<p>In addition to normal construction approvals, Tenant is required to obtain approval from healthcare licensing (regulatory) authorities before operations can commence in the space. The final approval can only be granted after completion of the tenant improvement work. Within 60 days after completion of the tenant improvements, Tenant shall obtain the necessary regulatory approvals. If Tenant is not able to obtain the approvals, Tenant shall have the right to cancel the lease in which, event Tenant shall reimburse Landlord for costs, including brokerage commissions, incurred by Landlord (such costs to be agreed upon and stated in the Lease).</p> <p>Landlord agrees and understands that Tenant is currently under Lease at another property. Due to the damage caused by the storm, Tenant is diligently working to terminate the current Lease. In the event Tenant is unable to terminate it's current Lease, Tenant shall have the right to terminate this Lease by paying a termination penalty to Landlord in the amount of brokerage commissions.</p>
Exclusive	During the term of this lease or any extensions of this Lease, Landlord will not allow any other Tenants or Subtenants or enter into a lease agreement with any other Tenants to offer addiction treatment services.
Use	Outpatient addiction treatment and counseling services and related office use.
Signage	Tenant request prominent exterior building signage on the _____ side of the Building, directional signage on any other areas where directional or identity signs are permitted within the Property.
Agency	Tenant is represented by James Rainer, a licensee of Newmark Knight Frank ("Broker"). Landlord shall pay a commission to Broker equal to <u>3% 4%</u> of the <u>gross-net lease</u> lease value ("Commission"). <u>Lessor is represented by Andrew Vanchiere of NAI Latter and Blum. Lessor side of the commission shall be 3%.</u> Commission shall be due and payable <u>1/2</u> at lease execution <u>and 1/2 within 15 days of receipt of the first rental payment.</u>
Parking	Please describe the parking arrangements including a site plan indicating the parking ratios for the building. Tenant requests unrestricted access

**Newmark Grubb
Knight Frank**



and use of the entire parking area in common with other tenants of the Property.

Base Building Codes

It is the Tenant's understanding that the base building, premises, and all common areas meet the current building codes for Lake Charles and the state of LA. This includes any and all rules that pertain to ADA.

Non-Binding Provision

Please understand that all proposals and drafts are subject to approval, execution, and delivery of final documents by both parties. Neither party shall have any legal obligation in connection herewith, nor may either party terminate further negotiations with or without cause. Accordingly, please do not take an action or refrain from taking any action in reliance on this request for proposal or any oral statements made in connection herewith.

Please respond to this RFP, via e-mail, to Jarainer@ngkf.com.

Thank you for your consideration. If you have any questions please do not hesitate to call.

Sincerely,

James Rainer
Director
Newmark Grubb Knight Frank
555 Perkins Ext, Suite 300
Memphis, TN 38117
D 901.302.4304

**Newmark Grubb
Knight Frank**



M 901.214.6656
Jarainer@ngkf.com

EXHIBIT D

620 Esplanade Street

BHG Lease Proposal Evaluation

Assumed January 1, 2021 Occupancy

9/23/2021

These numbers are from an actual offer received.
Tenant wanted a Gross Lease, we wanted a Net Lease

	7245 Square Feet	<u>Per Sq Ft, Annual</u>	
		\$ 16.00	years 1-5
10 year deal		\$ 19.00	years 6-10

Yr

2021	\$ 115,920.00
2022	\$ 115,920.00
2023	\$ 115,920.00
2024	\$ 115,920.00
2025	\$ 115,920.00
2026	\$ 137,655.00
2027	\$ 137,655.00
2028	\$ 137,655.00
2029	\$ 137,655.00
2030	\$ 137,655.00

Gross Value \$1,267,875.00

NPV \$1,074,685.14 3% discount rate

EXHIBIT E

July 1 Lease Model

7245 square feet

4 years I used the mid point of what I believe will be anywhere from a 3 to 5 year primary lease term

\$22 per sq ft This is a premium to pre-storm market rates. Most likely to get a medium term lease. Over the course of this lease term, there should be additional supply that comes to market that may lower rates back down. If Capital One Tower comes back, all at once, or even staggered, we will see a precipitous drop in rental rates for an extended period of time.

Rem of 2021	\$79,695
2022	\$159,390
2023	\$159,390
2024	\$159,390
Portion of 2025	\$79,695

Gross Value \$637,560

NPV \$583,840.14 3% discount rate

EXHIBIT F

620 Esplanade			Financial Outline to Recovery and Full Occupancy			22-Sep-20		
Current Loan Balance			\$ 1,100,000.00					
Monthly PMT			\$ 13,000.00					
Insurance Limits			Property \$ 2,000,000.00 assuming no co-insurance penalties					
			Business Interruption \$ -					
Needs								
Interior Rebuild			\$ 1,300,000.00					
New Roof			\$ 550,000.00					
Spent to Date			<u>\$ 56,000.00</u>					
Balance of Ins Proceeds			\$ 94,000.00					
Potential New Finance Proceeds			\$ 912,888.89 Plan A, see below			\$ 1,164,500.00 Plan B, see below		
Possible New Exterior			\$ 400,000.00			\$ 400,000.00		
Leasing Commission Estimate			<u>\$ 169,837.50</u>			<u>\$ 169,837.50</u>		
Residual Finance Funds after Exterior			\$ 343,051.39			\$ 594,662.50		
Needs from Tenants								
Plan A			Yr 1 base rent			Plan B		
ICE 15 yr deal			\$ 110,530.00 \$ 14.00 per sq ft, minimum			ICE 15 yr deal		
BHG or other non GSA 5-10 yr deal			<u>\$ 115,920.00 \$ 16.00 per sq ft, minimum</u>			other GSA 5-10 yr deal		
			\$ 226,450.00			\$ 226,450.00		
Market Cap Rate			<u>Value after Completion</u>			<u>Value after Completion</u>		
6.75%			\$ 3,354,814.81			6.00%		
Refinance up to LTV			60% \$ 2,012,888.89			Refinance up to LTV		
20 yr am						60% \$ 2,264,500.00		
3.90% Interest								
Monthly PMT			(\$12,091.91)			Monthly PMT		
						(\$13,603.39)		
Annual Cash Flow			\$ 81,347.12			\$ 63,209.26		
DCR Ratio			1.56 :1			DCR Ratio		
Interest Only Period, 180 days			\$ (6,541.89) per month			Interest Only Period		
						\$ (7,359.63) per month		

EXHIBIT G

620 Esplanade		Financial Outline to Recovery and Full Occupancy		15-Mar-21
Current Loan Balance		\$	1,100,000.00	
Monthly PMT	\$	13,000.00		
Insurance Limits	Property	\$	2,000,000.00	assuming no co-insurance penalties
	Business Interruption	\$	-	
Needs				
	Interior Rebuild	\$	1,300,000.00	
	New Roof	\$	550,000.00	
	Spent to Date	\$	56,000.00	
	Balance of Ins Proceeds	\$	94,000.00	
	Potential New Finance Proceeds	\$	643,788.98	Plan A, see below
	Possible New Exterior	\$	400,000.00	
	Leasing Commission Estimate	\$	118,886.25	
	Residual Finance Funds after Exterior	\$	124,902.73	\$ 394,002.64

Needs from Tenants		Plan A		Plan B	
	ICE	15 yr deal	Yr 1 base rent	ICE	Yr 1 base rent
	Non GSA	3-5 year deal	\$ 110,530.00 \$ 14.00 per sq ft, minimum	BHG 10 yr deal	\$ 110,530.00 \$ 14.00 per sq ft, minimum
			\$ 115,920.00 \$ 16.00 per sq ft, minimum		\$ 115,920.00 \$ 16.00 per sq ft, minimum
			\$ 226,450.00		\$ 226,450.00
Market Cap Rate			Value after Completion		Value after Completion
7.79%			\$ 2,906,314.96	6.75%	\$ 3,354,814.81
Refinance up to LTV	60%	\$ 1,743,788.98		Refinance up to LTV	60% \$ 2,012,888.89
20 yr am					
3.90% Interest					
	Monthly PMT	(\$10,475.36)			(\$12,091.91)
	Annual Cash Flow	\$ 100,745.69			\$ 81,347.12
DCR Ratio		1.80 :1		DCR Ratio	1.56 :1
Interest Only Period, 180 days	\$	(5,667.31) per month		Interest Only Period	\$ (6,541.89) per month

Estimated Net Losses Associated with the Differential	
Net difference in Value after Completion	\$ 448,499.85
Net difference in Residual Finance Funds	\$ 269,099.91
	\$ 717,599.76

Footnotes

DISPLACED GSA TENANTS ARE ONLY ALLOWED TO EXECUTE SHORT TERM LEASES FROM 18-24 MONTHS